

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 FRB-03 TRSE-00 L-03 INT-05

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R 301445Z MAY 75

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 0000

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NEA/AFN FOR WILEY AND MONTVILLE

E.O. 11652: NA

TAGS: EFIN, EINV, BDIS, MO

SUBJECT: MOROCCANIZATION PROBLEM CONTINENTAL ILLINOIS SUBSIDIARY

BANQUE DU COMMERCE ET DE CREDIT (BCC)

1. AT 6:00 P.M. MAY 29 WE RECEIVED LONG DISTANCE CALL FROM FRANDZEN, PARIS REP CONTINENTAL ILLINOIS TELLING US THAT MOROCCANIZATION PLAN OF BANQUE DU COMMERCE ET DE CREDIT IN WHICH CONTINENTAL HOLDS EQUAL SHARES WITH SWISS BANK CORP. AND BANQUE COMMERCIAL DE FRANCE HAD BEEN REVOKED. GROUNDS ARE THAT 32 PERCENT SHAREHOLDER ZELLIDJA MINES S.A. HAD SOLD HOLDINGS TO NON-QUALIFYING GROUP.

2. STORY INVOLVED, BUT INCLUDES DISAPPOINTED ZELLIDJA PRESIDENT FASSI FIHRI WHO HAD EXPECTED TO BE NAMED CHAIRMAN OF BCC AND USE IT FOR ZELLIDJA PURPOSES. FIHRI HAS APPARENTLY USED LETTER OF LAW AND MAY 31 MOROCCANIZATION DEADLINE IN SUCCESSFUL PLOY TO FORCE MINFIN TO REVOKE NOT-STRICTLY-LEGAL EARLIER APPROVAL BASED ON ARGUMENT THAT THREE FOREIGN BANK PARTNERS COULD NOT BE HELD RESPONSIBLE FOR FIHRI ACTION. NEW DECISION CAN BE READ TO MEAN THAT WHILE THREE BANKS NOT RESPONSIBLE, THEY

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SHOULD HAVE KEPT EYES OPEN, AND MINFIN UNDERPRESSURE

CANNOT CONTINUE TO UPHOLD GENTLEMAN'S AGREEMENT WHICH WAS OUTSIDE LETTER OF LAW.

3. BECAUSE WE WERE BROUGHT IN AT LAST MOMENT, FIELD OF MANEUVER DRASTICALLY LIMITED. WE HAVE INFORMED SENIOR MINFIN OFFICERS AND CENTRAL BANK OFFICIALS OF EMBASSY CONCERN; ENGAGED GOOD OFFICES SECRETARY OF STATE FOR PLAN TO EXPLAIN TO MINFIN SECSTATE RHERHAYE HOW ACTION COMPLICATES PLAN EFFORTS TO ATTRACT INVESTORS AND EXPAND MOROCCO'S ROLE IN INTERNATIONAL FINANCE; COORDINATED VIEWS AND ACTION PLANS WITH FRENCH EMBASSY; AND PRESENTED WHAT WE BELIEVE WILL BE ACCEPTABLE COURSE OF ACTION TO CONTINENTAL PARIS.

4. WE HAVE RECOMMENDED DISPATCH IMMEDIATE TELEX ACKNOWLEDGING RECEIPT MINFIN LETTER OF MAY 27, NOTING LIMITED TIME TO COORDINATE PLANS BETWEEN THREE BANKS AND OBTAIN LEGAL REVIEW, ASSURING MINFIN GOOD FAITH INTENTIONS TO COMPLY BY MAY 31, AND REQUESTING TELEX BE ACCEPTED AS FIRST ELEMENT OF REVISED PROPOSAL TO BE ELABORATED PARAGRAPH BY PARAGRAPH AS COORDINATION ACHIEVED. HAVE ALSO STRONGLY RECOMMENDED PARIS OFFICIALS TAKE PLANE TODAY FOR RABAT AS INDICATION GOOD FAITH.

5. PARIS OFFICIALS HAD PLANNED RABAT TRIP EARLY NEXT WEEK AND INITIALLY HOPED OBTAIN POSTPONEMENT OF DEADLINE. WE HAVE EXPLAINED A) MINFIN WILL BE OUT OF COUNTRY NEXT WEEK, AND B) ABSOLUTELY NO INDIVIDUAL DEADLINE EXTENSIONS HAVE EVER BEEN GRANTED (SOME CLASS EXTENSION GRANTED IN EARLY STAGES; NONE RECENTLY).

6. FRANDZEN HAS EXPRESSED APPRECIATION EMBASSY ANALYSIS AND GRATEFUL FOR WHAT WE'VE BEEN ABLE TO DO OVERNIGHT. MORE IMPORTANT, SEEMED INCLINED TO ACCEPT RECOMMENDATIONS. HE WILL BE ARRIVING WITH DUFAYET OF BANQUE COMMERCIALE DE FRANCE FRIDAY NIGHT.

7. AMBASSADOR HAS UNDERTAKEN TO CALL MINFIN BENSLIMANE TO ASK HIM TO ACCEPT SUBMISSION AS FIRST ELEMENT IN REVISED PROGRAM INTENDED AS GOOD FAITH COMPLIANCE WITH LIMITED OFFICIAL USE

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DEADLINE, ONCE ASSURANCE GIVEN THAT TELEX OR EQUIVALENT DOCUMENT PRESENTED TO MINFIN.

8. WE CONTINUE IN CONTACT WITH PARIS, FRENCH EMBASSY, CONGEN CASABLANCA, AND MINISTRY AND CENTRAL BANK OFFICIALS. WILL KEEP YOU INFORMED OF DEVELOPMENTS. AMBASSADOR EXPECTS SEE FRANDZEN AND DUFAYET AFTER ARRIVAL THIS EVENING.

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